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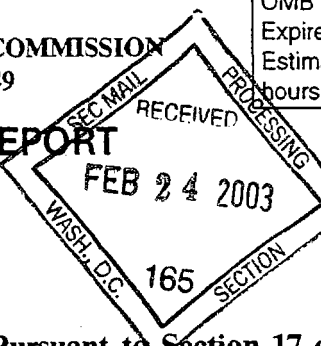
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**



SEC FILE NUMBER
8-36515

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

~~9A-006932-C-1-ADH-12~~

Dolphin & Bradbury Incorporated

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1617 John F. Kennedy Blvd., Suite 1140

(No. and Street)

Philadelphia

PA

(City)

(State)

19103

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Robert J. Bradbury

215-567-7545

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Stockton Bates, LLP

(Name — if individual, state last, first, middle name)

600 Robinson Bldg., 42 South 15th

Philadelphia

PA

19102

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

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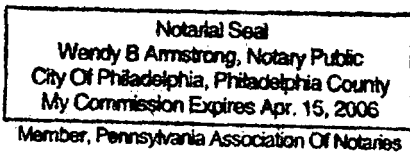
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

OATH OR AFFIRMATION

I, Robert J. Bradbury, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Dolphin & Bradbury Incorporated, as of December 31, ~~19~~2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Wendy B. Armstrong
Notary Public

[Signature]
Signature

Title

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**DOLPHIN & BRADBURY
INCORPORATED**

Financial Statements
and Supplementary Information

December 31, 2002

Dolphin & Bradbury Incorporated
December 31, 2002

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Stockton Bates, LLP
Certified Public Accountants

42 South 15th Street, Suite 600
Philadelphia, Pennsylvania 19102-2218
215-241-7500 (office)
215-567-3813 (fax)

INDEPENDENT AUDITORS' REPORT

Dolphin & Bradbury Incorporated
1617 John F. Kennedy Blvd.
Suite 1140
Philadelphia, Pennsylvania 19103

We have audited the accompanying statements of financial condition of Dolphin & Bradbury Incorporated as of December 31, 2002 and 2001 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended that you are filing pursuant to rule 17a-5 under the Security Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dolphin & Bradbury Incorporated as of December 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 11-15 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stockton Bates, LLP
Certified Public Accountants

Philadelphia, Pennsylvania

January 21, 2003

www.stocktonbates.com

Additional Offices in Lancaster, Pennsylvania and Westmont, New Jersey
Member of AGN International, AICPA and PICPA.

DOLPHIN & BRADBURY INCORPORATED

STATEMENTS OF FINANCIAL CONDITION

DECEMBER 31, 2002 AND 2001

Dolphin & Bradbury Incorporated

Statements Of Financial Condition

ASSETS

December 31:	2002	2001
CASH	\$ 354,802	\$ 318,408
DUE FROM CLEARING AGENT	299,279	329,019
ACCRUED INTEREST RECEIVABLE	10,598	31,013
TRADING INCOME RECEIVABLE		47,914
INVENTORY OF PENNSYLVANIA BONDS OWNED AT MARKET VALUE	2,057,536	4,130,736
EQUIPMENT, AT COST, less accumulated depreciation of \$336,534 and \$315,971	42,826	62,589
SECURITY DEPOSITS	70,842	67,515
OTHER INVESTMENTS	83,900	83,900
TOTAL ASSETS	\$2,919,783	\$5,071,094

See Accompanying Notes

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31:	2002	2001
LIABILITIES:		
Short-term loans in excess of margin account	\$ 532,175	\$2,547,933
Other payables	204,720	222,119
Total liabilities	736,895	2,770,052
STOCKHOLDERS' EQUITY:		
Common stock, par value \$400 per share; authorized 5,000 shares; issued 1,062 shares	424,800	424,800
Additional paid-in capital	1,072,230	1,072,230
Retained earnings	1,214,946	1,333,100
	2,711,976	2,830,130
Less treasury stock, at cost, 300 shares	529,088	529,088
Total stockholders' equity	2,182,888	2,301,042
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$2,919,783	\$5,071,094

Dolphin & Bradbury Incorporated

Statements Of Income

Year Ended December 31:	2002	2001
REVENUES:		
Trading	\$2,700,745	\$2,255,808
Management and underwriting	106,251	470,621
Interest	284,096	176,123
Computer services	900	10,430
Bank and clearance	7,649	49,021
Word processing services	95,100	112,050
Financial advisory fees	422,366	248,459
Miscellaneous	12,000	7,500
Total revenues	3,629,107	3,330,012
EXPENSES:		
Employee compensation and benefits	1,398,501	1,252,745
Profit-sharing contribution	159,786	148,165
Clearing and bank fees	80,182	77,402
Commissions	383,157	369,553
Communications	46,981	26,429
Promotion	125,488	100,102
Occupancy and equipment	141,983	156,901
Financial advisory consultant	182,500	
Data processing	12,636	19,902
Interest	38,821	19,796
Other operating expenses	614,611	454,396
Total expenses	3,184,646	2,625,391
NET INCOME	\$ 444,461	\$ 704,621

See Accompany Notes

DOLPHIN & BRADBURY INCORPORATED

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2002 AND 2001

Dolphin & Bradbury Incorporated

Statements Of Changes In Stockholders' Equity

Years Ended December 31, 2002 and 2001:

	Common Stock Shares	Amount
BALANCE, JANUARY 1, 2001	1,062	\$424,800
Net income for 2001		
Distributions to stockholders'		
BALANCE, DECEMBER 31, 2001	1,062	424,800
Net income for 2002		
Distributions to stockholders'		
BALANCE, DECEMBER 31, 2002	1,062	\$424,800

See Accompanying Notes

Additional Paid-in Capital	Retained Earnings	Treasury Stock		Total Stockholders' Equity
		Shares	Cost	
\$1,072,230	\$1,176,246	300	(\$529,088)	\$2,144,188
	704,621			704,621
	(547,767)			(547,767)
1,072,230	1,333,100	300	(529,088)	2,301,042
	444,461			444,461
	(562,615)			(562,615)
\$1,072,230	\$1,214,946	300	(\$529,088)	\$2,182,888

Dolphin & Bradbury Incorporated

Statements of Cash Flows

Increase (Decrease) in Cash

Year Ended December 31:	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 444,461	\$ 704,621
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,563	20,247
Change in operating assets and liabilities:		
(Increase) decrease in accrued interest receivable	20,415	(11,746)
(Increase) decrease in due from clearing agent	29,740	(18,132)
(Increase) decrease in trading income receivable	47,914	(44,756)
(Increase) decrease in inventory of Pennsylvania bonds	2,073,200	(2,168,885)
(Increase) decrease in security deposits	(3,327)	5,155
Increase (decrease) in other payables	(21,000)	203,778
Increase in accrued taxes and payroll taxes	3,602	1,346
Total adjustments	2,171,107	(2,012,993)
Net cash provided by (used in) operating activities	2,615,568	(1,308,372)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(800)	(17,427)
Net cash used in investing activities	(800)	(17,427)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds (repayments) under short-term financing arrangement	(2,015,759)	2,071,939
Distributions to stockholders	(562,615)	(547,767)
Net cash provided by (used in) financing activities	(2,578,374)	1,524,172

(Continued)

Dolphin & Bradbury Incorporated

Statements Of Cash Flows

Increase (Decrease) in Cash

Year Ended December 31:	2002	2001
NET INCREASE IN CASH	\$ 36,394	\$198,373
Cash, beginning of year	318,408	120,035
CASH, END OF YEAR	\$354,802	\$318,408

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 4,651	\$ 20,623
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See Accompanying Notes

Dolphin & Bradbury Incorporated

**Notes To Financial Statements
December 31, 2002**

1. DESCRIPTION OF BUSINESS:

The Company is a "fully disclosed" broker/dealer engaged in the trading and underwriting of municipal bonds, dealing mainly in Pennsylvania municipal bonds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Revenue and Cost Recognition:

Securities transactions and the related revenue and expenses are recorded in the accounts on a trade date basis.

Securities owned are valued at market and unrealized gains and losses are reflected in revenues.

Equipment:

Equipment is recorded at original cost. Depreciation has been provided based upon the estimated useful lives of the individual assets using both accelerated and straight-line methods.

Income Taxes:

The Company, with the consent of its stockholders, has elected to be an "S" Corporation under the Internal Revenue Code and the Commonwealth of Pennsylvania. Instead of paying corporate income taxes, the stockholders of an "S" Corporation are taxed individually on their proportionate share of the Company's taxable income; therefore, no provision or liability for Federal or Pennsylvania income taxes has been included in these financial statements.

Estimates and Assumptions:

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses.

Statement of Cash Flows:

The Company considers all cash accounts which are not subject to withdrawal restrictions or penalties as cash on the accompanying balance sheet.

Dolphin & Bradbury Incorporated

**Notes To Financial Statements
December 31, 2002****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Advertising Costs:**

The Company generally expenses advertising costs, which are nondirect response in nature, at the time that the advertising takes place.

3. CASH DEPOSITED IN FINANCIAL INSTITUTIONS:

The Company maintains cash balances at one financial institution located in Philadelphia, Pennsylvania. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. In the normal course of business, the Company may have deposits that exceed the insured balance.

The Company maintains a cash balance with its independent clearing agent. Cash accounts at this institution are protected by the Securities Investor Protection Corporation up to \$100,000. In the normal course of business, the Company may have deposits that exceed the insured balance.

4. SHORT-TERM LOANS AND MARGIN ACCOUNT:

Net short-term loans and margin account of \$532,175 and \$2,547,933 at December 31, 2002 and 2001, respectively, were for customers' transactions and were collateralized by securities owned by the Company. Interest is at a fluctuating rate that corresponds to the broker call rate (3.00% and 3.50% as of December 31, 2002 and 2001, respectively) plus 1/4%.

5. COMMITMENTS:

In the normal course of business, the Company enters into when-issued and underwriting commitments. No when-issued commitments for the purchase of securities were open at December 31, 2002 and 2001.

6. NET CAPITAL REQUIREMENTS:

Pursuant to the net capital provisions of Rule 15c3-1(f) of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital under the alternative net capital requirement. At December 31, 2002, the Company had net capital and net capital requirements of approximately \$1,074,617 and \$250,000, respectively. There were no aggregate debits at December 31, 2002. The amount of excess net capital was \$824,617.

The Company anticipates that it may be necessary to distribute up to \$200,000 to the shareholders in order to assist them in payment of their individual income taxes. These distributions will not cause the Company to be in violation of the Net Capital Requirements pursuant to Rule 15c3-1.

Dolphin & Bradbury Incorporated

Notes To Financial Statements
December 31, 2002

7. LEASE COMMITMENTS:

The Company rents office facilities in Philadelphia, Pennsylvania under an operating lease agreement that expires on May 31, 2003. The lease provides that the Company will pay its pro rata share of operating expenses and real estate taxes.

Minimum rentals under this lease are as follows:

2003	\$31,141
------	----------

Total rent expense for the years ended December 31, 2002 and 2001 amounted to \$73,809 and \$71,578, respectively.

The Company leases five automobiles under the terms of operating leases which are cancelable by the Company during the lease term. Rental expense under these leases was \$49,693 and \$65,071 for the years ended December 31, 2002 and 2001, respectively.

8. SIMPLIFIED EMPLOYEE PENSION PLAN:

During 2002 and 2001, the Company allowed for a salary reduction arrangement (SARSEP) in addition to its Simplified Employee Pension Plan. Such arrangement is allowed due to the fact that the Company employed 25 or fewer employees during the preceding year. Under the salary reduction arrangements of the SARSEP, an employee who participates in the SARSEP may elect to have the Company make contributions to the SEP on his behalf, or pay him in cash. The Company will contribute \$159,786 to the SEP for 2002. The Company contributed \$148,165 to the SEP in 2001.

9. RELATED PARTY TRANSACTIONS:

One of the stockholders of the Company owns stock in a bank. Purchases of bonds and notes from that bank totaled \$3,430,447 and \$21,065,231 in 2002 and 2001, respectively. Sales of bonds and notes to that bank amounted to \$18,890,075 and \$81,534,421 in 2002 and 2001, respectively.

Dolphin & Bradbury Incorporated

Notes To Financial Statements
December 31, 2002

10. **CLEARING AGREEMENT:**

The Company has a clearing agreement with an independent clearing agent. Under the agreement the clearing agent performs clearing, execution and other services related to the securities business. As a result thereof, the Company no longer has receivables from, or payables to, customers.

Provisions of the agreement include requirements for maintaining certain minimum net capital balances above the \$250,000 minimum requirement of the Securities and Exchange Commission.

11. **ADVERTISING EXPENSE:**

Expenditures for advertising amounted to \$1,719 and \$16,286 for the years ended December 31, 2002 and 2001, respectively.

SUPPLEMENTARY INFORMATION

Dolphin & Bradbury Incorporated

**Computation Of Alternate Net Capital
Pursuant To Rule 15c3-1**

December 31, 2002:

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT:

2% of combined aggregate debit items	\$ -0-
Minimum dollar net capital requirement	250,000
<hr/>	
NET CAPITAL REQUIRED	\$ 250,000

EXCESS NET CAPITAL:

Net capital	\$1,074,617
Less net capital required	250,000
<hr/>	
	\$ 824,617

NET CAPITAL TO AGGREGATE DEBITS (\$1,074,617 divided by \$-0-)	N/A
-----------------------------------------------------------------------	------------

NET CAPITAL IN EXCESS OF \$120,000:

Net capital	\$1,074,617
Less	120,000
<hr/>	
	\$ 954,617

Dolphin & Bradbury Incorporated

**Computation For Determination Of Reserve Requirements
Pursuant To Rule 15c3-3**

December 31, 2002:

The Company is exempted from Rule 15c3-3 under Section (k)(2)(B).

Dolphin & Bradbury Incorporated

**Information Relating To The Possession Or Control Requirements
Pursuant To Rule 15c3-3**

December 31, 2002:

The Company is exempted from Rule 15c3-3 under Section (k)(2)(B).

Dolphin & Bradbury Incorporated

Reconciliation Of Unaudited Net Capital To Audited Net Capital

December 31, 2002:

NET CAPITAL PER UNAUDITED REPORT	\$1,078,456
LESS:	
Net increases in accrued expenses	3,839
	3,839
NET CAPITAL PER AUDITED REPORT	\$1,074,617

Dolphin & Bradbury Incorporated

Reconciliation Of Unaudited Statement Of Financial Condition
To Balance Sheet

December 31, 2002:

Total ownership equity as submitted on the unaudited statement of financial condition - FOCUS REPORT FORM X-17A-5		\$1,256,404
LESS:		
Net increases in accrued expenses		3,839
		3,839
ADD:		
Decrease in depreciation		14,553
Difference in securities valuation, between GAAP and presumed marketability test valuation		915,770
		930,323
TOTAL STOCKHOLDERS' EQUITY AS STATED ON THE BALANCE SHEET AT DECEMBER 31, 2002		\$2,182,888